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ZNR UUUUU ZZH
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FM AMEMBASSY ADDIS ABABA
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INFO RUEHZO/AFRICAN UNION COLLECTIVE
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RUEAIIA/CIA WASHINGTON DC
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UNCLAS SECTION 01 OF 03 ADDIS ABABA 002936

SENSITIVE
SIPDIS

DEPARTMENT FOR EEB/IFD/OMA - JWINKLER AND EEB/CBA -
DWINSTEAD
USAID FOR AFR/EA HELLYER AND DALTON
DEPT PASS TO USTR FOR PATRICK COLEMAN, CECILIA KLEIN, AND
BARBARA
GRYNIEWWICZ
DEPT OF COMMERCE WASHDC FOR ITA MARIA RIVERO
DEPT OF TREASURY WASHDC FOR REBECCA KLEIN

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [ETRD](#) [EAGR](#) [EAIR](#) [ET](#)

SUBJECT: DASD HUDDLESTON DISCUSSES ETHIOPIAN ECONOMY WITH
FINANCE MINISTER

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SUMMARY

1. (SBU) Government of Ethiopia (GoE) Minister of Finance and Economic Development Sufian Ahmed reviewed local economic conditions with visiting Deputy Assistant Secretary of Defense for African Affairs Vicki Huddleston during a December 10 meeting. DASD Huddleston congratulated the GoE on strong economic growth and controlling inflation. Minister Sufian stated Ethiopia has weathered the global financial crisis relatively well, but that he still has concerns regarding the urban economy and the widening trade deficit. He thought increased foreign investment in agriculture would prove to be a "win-win" for both Ethiopia and investors and cited high transport costs and security concerns as barriers to additional foreign investment. Minister Sufian expressed commitment to Ethiopia's World Trade Organization (WTO) accession process, but believes that the government still needs to play a temporary role in certain sectors. He also commented on the welcome support of Ethiopian Diaspora remittances, but lamented the loss of entrepreneurial skills from emigrating Ethiopians. Finally, Minister Sufian voiced his concerns about potential problems with Citibank's financing of Ethiopian Airlines' Boeing aircraft purchases. CDA Mushingi responded by saying the Embassy will investigate this matter accordingly. END

SUMMARY.

MEETING ATTENDEES

2. (U) December 10 meeting attendees included:

- Ambassador Vicki Huddleston, DASD of Defense for African Affairs
- H.E. Sufian Ahmed, Minister of Finance and Economic Development, GoE

- Dr. Tulinabo Mushingi, Charge d'Affaires, US Embassy
- Brigadier General Wallace Farris, USAF
- Mr. Jim DeLoach, A/GSO, US Embassy (notetaker)
- Mr. Hailemichael Kinfu, Ministry of Finance and Economic Development (notetaker)

STATE OF THE ETHIOPIAN ECONOMY

13. (SBU) DASD Huddleston congratulated Minister Sufian on Ethiopia's strong economic growth while clamping down on inflation. Minister Sufian responded by stating the GoE has successfully managed the global economic crisis, food price increases, and oil price increases. He claimed the Ethiopian economy is growing 10 percent annually, due to a strong rural agricultural sector largely decoupled from the international economy. Minister Sufian said the rural economy is strong, but that "there are some pockets which are struggling due to poor rain, but associated food issues will be easily managed." Currently, Minister Sufian's main concern lies with the urban economy. To help in the urban areas, the GoE is importing and selling wheat at subsidized prices and reducing taxes on food items. Minister Sufian's stated economic goals for the next five years were to strengthen the manufacturing base, expand agricultural processing, expand the service sector, and increase technology transfer. He also reiterated that foreign investment is critical to meeting these goals.

14. (SBU) Minister Sufian remarked that inflation is steadily decreasing, and that November's moving average inflation figure was ten percent for food components. He claimed this coincided with the International Monetary Fund (IMF) estimate, which predicted single-digit inflation by December 2009. Despite the recent recovery of Ethiopia's foreign

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currency reserves, Minister Sufian believed Ethiopia's balance of payments deficit was a major concern. Ethiopia's trade deficit remained significant, despite strong historical export growth. He believed fuel cost increases, which accounted for 20 percent of imports, were a key reason for this.

FOREIGN INVESTMENT AND PRIVATIZATION

15. (SBU) DASD Huddleston inquired about foreign investment in agriculture in light of the recent New York Times article on "agro-imperialism." Minister Sufian opined that foreign agricultural investment is a "win-win" situation for Ethiopia and the investors. He cited the example of cotton production, where he claims there is an extreme shortage of labor for harvest. Foreign investment should enable increased mechanization to compensate for the lack of labor. Minister Sufian singled out Saudi investors as being particularly involved in the new agricultural investment.

16. (SBU) Minister Sufian stated that high transport costs -- both in terms of money spent and time -- caused by poor transportation infrastructure was a barrier to foreign investment. He believes there is no real alternative to the Port of Djibouti at this time. Minister Sufian also said perceptions about the security of the region were a barrier to foreign investment.

17. (SBU) Minister Sufian agreed increased sector privatization was a good goal, but Ethiopia's is faced with unique circumstances which do not make this a viable option in all areas. He believed government must continue to play a temporary role in certain sectors. Minister Sufian did emphasize the banking sector is open to domestic competition now, and cited the recent market entry of ten new locally-owned private banks. He also stated that, "we are ready and committed" to the WTO accession process, which will determine the role of international banks in the future.

ROLE OF THE ETHIOPIAN DIASPORA

¶8. (SBU) Minister Sufian expressed concern about the loss of key skills and the entrepreneurial spirit of departing Ethiopians, but was also encouraged by the benefits the Diaspora provide to the economy. Minister Sufian affirmed Ethiopia receives about 60 percent of its Diaspora remittances from North America and 30 percent from the Middle East. He emphasized Ethiopia's presence in the Middle East is growing, citing the fact that there are 25,000 Ethiopians in Kuwait alone.

ETHIOPIAN AIRLINES FINANCING CONCERNS FOR BOEING PURCHASES

¶9. (SBU) Minister Sufian raised the issue of potential problems with Citibank's financing support of Boeing aircraft purchases by Ethiopian Airlines. He cited a 50-year history of Boeing purchases with U.S. bank involvement and emphasized that "it would be unfortunate if U.S. banks were not involved in the financing of upcoming Boeing aircraft purchases." Minister Sufian went on to say U.S. business could "lose other opportunities" if financing could not be provided for the Boeing deal. He said he did not know if the source of the problem was with Citibank or another party. CDA Mushingi responded saying that the Embassy would follow-up on this issue to determine the source of the problem. (Comment: Boeing Sales Director for the Middle East and Africa indicated to PolEconOff that this financing issue was not a major problem and should be resolved soon. EconOff will

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investigate this issue further with Boeing representatives and the U.S. Export-Import Bank (which is involved in Boeing-Ethiopian Airlines financing deals). End Comment.)

¶10. (U) This cable was cleared by DASD Huddleston.
MUSHINGI